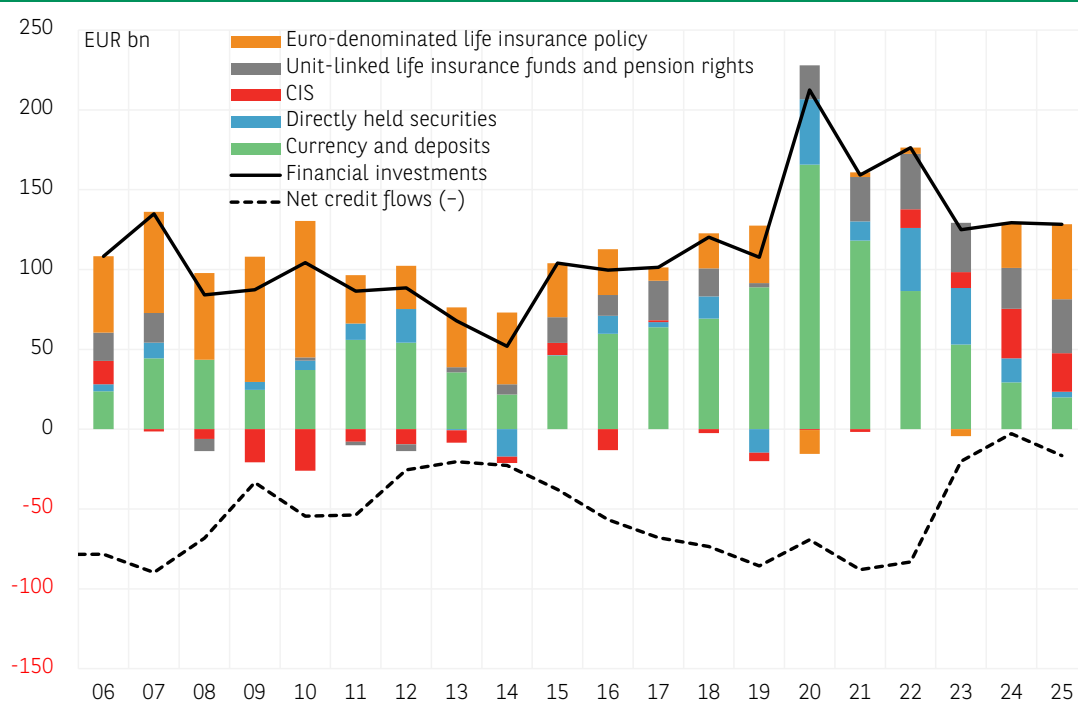


FRANCE: HOW HAS THE RISE IN INTEREST RATES SINCE 2022 AFFECTED HOUSEHOLD FINANCIAL INVESTMENT FLOWS?

Laurent Quignon

Following a prolonged period of low interest rates (2015-2020), the inflationary shock of 2021-2023 caused interest rates to rise sharply across the Eurozone, including France. This rate shock, the scale and speed of which had not been seen since the early 1990s¹, made borrowing more expensive, curbed investment in housing, and altered the relative returns among deposits, regulated savings accounts, life insurance and market investments.

Household financial investments in France: stable flows and predominantly captured by life insurance in 2025



SOURCE: BANQUE DE FRANCE, BNP PARIBAS

Fewer credit flows, fewer investment flows. The severe disruptions linked to the health crisis in 2020 and the invasion of Ukraine in 2022 led to a slowdown in financial investment flows in 2023 (black curve on the chart). This slowdown can primarily be attributed to the rise in long-term rates in 2022, which occurred in anticipation of and then in tandem with the monetary policy tightening that began in July 2022. Consequently, fixed-rate mortgage rates surged from an average of 1.07% in January 2022 to 4.17% in January 2024 (before falling back and stabilising at around 3.1% since June 2025). This interest rate shock led to a contraction in credit flows (black dotted line on the chart) and an increase in households' financing capacity², albeit to varying degrees: the decline in credit flows was significantly sharper than the increase in financing capacity, indicating a reduction in the gross financial resources available for investment.

A shift in financial savings towards long-term instruments. In 2024 and 2025, investment flows and credit flows have more or less stabilised, as has the gap between the two, which determines the financial savings rate. Households are continuing to invest at a high rate. However, they are

¹ 1 450 basis points for the ECB's deposit rate between July 2022 and September 2023, and +340 basis points for French long-term rates between the end of 2021 and October 2023. Since then, long-term rates have maintained a moderately upward trajectory, against a backdrop of disinflation (until February 2026) and pressures on public finances.
² Through a decline in housing investment and, to a much lesser extent, an increase in investment income.

also borrowing less, the result being that they are also investing less in housing. The outcome is a high and relatively stable level of investment flows (EUR 128.4 billion³ in 2025, following EUR 129.3 billion in 2024), but this stability masks a profound shift in composition. This represents the second major impact of the interest rate rise.

- Firstly, flows into cash and deposits are dwindling (green bar in the chart).
- Flows into directly held securities (blue bar chart) are also falling in 2024 and 2025, but this trend must be interpreted with caution: the decline relates almost exclusively to the fall in unlisted shares and other equity holdings, which is a diverse aggregate encompassing both private equity investments and capital contributions from partners to family-owned companies that do not fall within an investment framework.
- Conversely, collective investment schemes (CIS, red bar chart) and, above all, euro-denominated life insurance (orange bar) are gaining ground, whilst unit-linked products (grey bar chart) continue to attract inflows.

Investment flows are therefore shifting away from bank deposits towards less liquid but higher-yielding instruments. This trend is consistent with the current interest rate environment. The rise in bond yields has enabled insurers to gradually improve the returns offered on euro-denominated funds, while the Livret A savings account, which peaked at 3% in February 2023 (1.5% since February 2026), is seeing its relative appeal diminish.

An interest rate environment that is expected to remain favourable for long-term savings in 2026, despite uncertainties. For the remainder of 2026, two main trends are emerging. On the one hand, the expected reduction in the volatility of long-term rates is likely to sustain mortgage lending flows around their current levels. On the other hand, despite the likely rise in key interest rates and money market rates due to the resurgence of inflationary pressures linked to the war in Iran, the yield hierarchy is expected to remain favourable for life insurance (euro funds and unit-linked policies), as well as for collective investment schemes. These two products will also benefit from a significant buffer of bank deposits (as measured by the ratio of outstanding amounts to income). Life insurance will also continue to be bolstered by demand related to retirement planning and wealth transfer. However, this outlook is still dependent on developments in the Middle East, which could potentially impact inflation, the yield curve, and the remuneration of regulated savings, thereby altering the overall scenario.

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³ Main financial investments, excluding net miscellaneous investments, which comprise certain financial transactions.



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